

# SENATE BILL REPORT

## SHB 1255

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As Reported By Senate Committee On:  
Government Operations & Elections, March 29, 2007

**Title:** An act relating to municipal officers' beneficial interest in contracts.

**Brief Description:** Prohibiting municipal officers from being beneficially interested in any personal services contract that is made by, through, or under the supervision of that officer.

**Sponsors:** House Committee on Local Government (originally sponsored by Representatives Simpson, Curtis, Sells, Walsh, Buri, B. Sullivan, Ericks, Ormsby and Moeller).

**Brief History:** Passed House: 2/05/07, 95-0.

**Committee Activity:** Government Operations & Elections: 3/20/07, 3/29/07 [DPA].

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

**Majority Report:** Do pass as amended.

Signed by Senators Fairley, Chair; Oemig, Vice Chair; Roach, Ranking Minority Member; Benton, Kline, Pridemore and Swecker.

**Staff:** Amy Van Horn (786-7784)

**Background:** State statute prohibits a municipal officer from having a beneficial interest, whether direct or indirect, in any public contract that he or she is involved in creating. In addition, a municipal officer is prohibited from receiving any compensation in connection with such a contract from any other person with a beneficial interest.

A "municipal officer" is broadly defined to include any elected or appointed officer of a local government, district, or municipal corporation, or any deputy or assistant to such officer, and all persons undertaking the exercise of the powers or functions of a municipal officer.

Several exceptions are made to this general prohibition, including but not limited to:

- leasing arrangements made by port districts;
- specified contracts involving payment of not more than \$1,500 per month;
- certain employment contracts involving wages of not more than \$200 per month;
- the designation of a school director to act as clerk or purchasing agent for a school district; and
- specified substitute teaching contracts.

**Summary of Substitute Bill:** A municipal officer is prohibited from having a beneficial interest in any "contracts for consulting or advisory services" related to his or her office, which

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he or she was involved in creating, or which involves the receipt of compensation from another person with a beneficial interest in such contract.

**EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Government Operations & Elections):** Instead of being prohibited from having a beneficial interest in any contracts for consulting or advisory services related to his or her office, municipal officers are only prohibited from such a beneficial interest in contracts for legal services. They may still receive reimbursement for expenditures made in contracts for volunteer legal services.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: The purpose of the bill is to address the potential conflict of interest present when elected officials pay for a fellow elected official's opinion with taxpayer dollars. We feel that this should not be permitted under the current statute, and we have worked with the state Auditor's Office to draft this bill.

OTHER: We support the bill with an amendment to narrow it to prohibit only contracts for legal services, as opposed to all service or consulting contracts. There are some concerns about unintended consequences with the broad way this bill is drafted, and we would support narrowly targeting the bill to address the specific problem at hand. We have worked with the sponsor, with the Auditor's Office, and with the Washington State Council of County and City Employees.

**Persons Testifying:** PRO: Pat Thompson, Washington State Council of County and City Employees.

OTHER: Lisa Thatcher, Association of Washington Public Hospital Districts.